

CITY OF OAKLAND
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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CITY OF OAKLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Michael O'Brien	Mayor	January 2014
Pat Newberg	Mayor Pro-Tem	January 2014
Brant Miller	Council Member	January 2014
Betsy Moniz	Council Member	January 2016
Jeremy Perkins	Council Member	January 2016
Jason Smith	Council Member	January 2014
Joseph Wede	Council Member	Resigned August 2013
Marissa Lockwood	City Clerk	Indefinite
Cindy Constable	City Treasurer	Indefinite
TJ Pattermann	City Attorney	Indefinite
(After January 2014)		
Michael O'Brien	Mayor	January 2018
Pat Newberg	Mayor Pro-Tem	January 2018
Brant Miller	Council Member	January 2018
Betsy Moniz	Council Member	January 2016
Jeremy Perkins	Council Member	January 2016
Jason Smith	Council Member	January 2018
Marissa Lockwood	City Clerk	Indefinite
Cindy Constable	City Treasurer	Indefinite
TJ Pattermann	City Attorney	Indefinite

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 20, 2014

Independent Auditor's Report

Lonnie G. Muxfeldt
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Accountant

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Missouri

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued . . .

August 20, 2014
Page Two

To the Honorable Mayor and
Members of the City Council:

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Continued . . .

August 20, 2014

Page Three

To the Honorable Mayor and
Members of the City Council:

Other Matters

Supplementary and Other Information

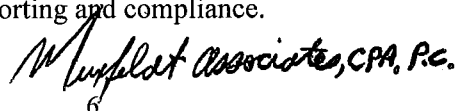
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 36 through 38 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 20, 2014 on my consideration of the City of Oakland's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Oakland's internal control over financial reporting and compliance.


Muxfeldt Associates, CPA, P.C.

**CITY OF OAKLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The City of Oakland provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 9%, or approximately \$140,000, from fiscal year 2013 to fiscal year 2014. The sale of the community center in the prior fiscal year explains the decrease.

Disbursements of the City's governmental activities decreased 31% or approximately \$1 million in fiscal year 2014 from fiscal year 2013. The significant decrease is primarily due to construction costs of the Community Service Building in the prior fiscal year. For fiscal year 2014, significant increases occurred in the public safety, public works and debt service functions.

The City's total cash basis net position decreased 44%, or approximately \$577,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$784,000 and the cash basis net position of the business type activities increased approximately \$207,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides and analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, sanitary sewer system and sanitation. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for the governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to

provide separate information for the Water, Sewer and Sanitation Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from approximately \$808,000 to approximately \$24,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities			
	Year Ended June 30, 2014	Year Ended June 30, 2013	
Receipts:			
Program receipts:			
Charges for services	\$ 121,458	\$ 82,113	
Operating grants, contributions and restricted interest	256,197	254,423	
Capital grants, contributions and restricted interest	100,000	104,058	
General receipts:			
Property tax	424,406	302,708	
Tax increment financing	18,871	11,166	
Local option sales tax	185,707	179,000	
Unrestricted investment earnings	1,518	6,244	
Miscellaneous	34,203	6,721	
Note proceeds	309,483	489,750	
Sale of property	21,574	177,422	
Total receipts	1,473,417	1,613,605	
Disbursements:			
Public safety	423,913	304,840	
Public works	268,272	165,878	
Culture and recreation	231,858	160,084	
Community and economic development	-0-	6,162	
General government	133,413	129,128	
Debt service	267,240	126,721	
Capital projects	946,031	2,396,665	
Total disbursements	2,270,727	3,289,478	
Change in cash basis net position before transfers	(797,310)	(1,675,873)	
Transfers, net	12,907	13,168	
Change in cash basis net position	(784,403)	(1,662,705)	
Cash basis net position, beginning of year	808,512	2,471,217	
Cash basis net position, end of year	\$ 24,109	\$ 808,512	

The City's total receipts for governmental activities decreased 9% or approximately \$140,000. The total cost of all programs and services decreased approximately \$1 million, or 31%, with no new programs added this year. The significant decrease of all programs is primarily due to completion of the City Services Building, the purchase of a pumper/tanker, street resurfacing and increased debt service.

The cost of all governmental activities this year was approximately \$2.2 million compared to approximately \$3.3 million last year. However, as shown in the Statement of Activities and Net Position on pages 14 - 15, the amount taxpayers ultimately financed for these activities was approximately \$1.8 million because some of the cost was paid by those directly benefited from the programs (\$121,458) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$356,197). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$440,600 to approximately \$478,000, principally due to fitness and community center rental income in fiscal year 2014.

Changes in Cash Basis Net Position of Business Type Activities			
	Year Ended June 30, 2014	Year Ended June 30, 2013	
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 873,264	\$ 729,181	
Sewer	64,065	64,867	
Sanitation	161,475	141,160	
Operating grants, contributions and restricted interest	-0-	-0-	
Capital grants, contributions And restricted interest	149,853	6,632	
General receipts:			
Note proceeds	355,399	-0-	
Rental income	-0-	21,352	
Miscellaneous	11,500	-0-	
Total receipts	<u>1,615,556</u>	<u>963,192</u>	
Disbursements:			
Water	1,222,139	803,937	
Sewer	20,407	57,178	
Sanitation	153,363	160,004	
Total disbursements	<u>1,395,909</u>	<u>1,021,119</u>	
Change in cash basis net position before transfers	219,647	(57,927)	
Transfers, net	<u>(12,907)</u>	<u>(13,168)</u>	
Change in cash basis net position	206,740	(71,095)	
Cash basis net position, beginning of year	<u>508,183</u>	<u>579,278</u>	
Cash basis net position, end of year	\$ <u>714,923</u>	\$ <u>508,183</u>	

Total business type activities receipts for the fiscal year were approximately \$1.6 compared to approximately \$963,000 last year. This \$652,000 increase is due primarily to note proceeds, grants and grain sales from City farmland. As a result, cash balances increased approximately \$206,700 from the prior year. Total disbursements for the fiscal year increased 37% to approximately \$1.4 million primarily due to the water treatment improvement project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Oakland completed the year, its governmental funds reported a combined fund balance of \$24,109, a decrease of \$784,403 from last year's total of \$808,512. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$303,738 from the prior year to \$543,063. This decrease is primarily due to operating transfers from the general fund for debt service and the purchase of a pumper/tanker for the fire department.

The Special Revenue, Road Use Tax Fund cash balance decreased \$15,031 from \$173,392 to \$158,361, primarily due to street repairs in fiscal year 2014.

The Capital Projects, City Service Building Fund cash balances decreased \$480,430 for 2014. This decrease is due to completion of the City Services Building.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$154,970 from \$480,763 to \$635,733 due primarily to capital loan note proceeds for the water treatment reverse osmosis project.

The Enterprise, Sanitation Fund cash balance increased \$8,112 from \$37,983 to \$46,095. The increase in the cash balance was due primarily to normal operations.

BUDGETARY HIGHLIGHTS

City Council approved a budget amendment on May 12, 2014, decreasing receipts by approximately \$425,000 and decreasing disbursements by approximately \$1.6 million.

The City's receipts were approximately \$1.9 million less than budgeted. This was primarily due to timing differences and delays in CDBG grant and capital loan note proceeds that were budgeted but not awarded to the City till fiscal year 2015 for the reverse osmosis water treatment plant.

The public safety and capital projects functions were exceeded before the budget was amended. At June 30, 2014, disbursements exceeded budgeted amounts in the general government, debt service and capital projects functions.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$3,721,600 in long-term debt outstanding, compared to \$3,209,201, last year, as shown below:

	Outstanding Debt	
	Year Ended June 30, 2014	Year Ended June 30, 2013
General obligation notes	\$ 3,308,000	\$ 3,209,201
Water revenue notes	413,600	-0-
Total	\$ 3,721,600	\$ 3,209,201

Principal of \$226,201 and interest of \$97,513 was paid on outstanding debt during the year ended June 30, 2014. The City issued \$325,000 of general obligation capital loan notes to finance the completion of the City Service Building and \$1,608,000 water revenue capital loan notes to finance the reverse osmosis water treatment improvements. Water revenue note proceeds of \$413,600 were received in fiscal year 2014, of which \$58,002 paid off the state revolving fund anticipation note.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,308,000 is below its constitutional debt limit of approximately \$3.9 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Oakland's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees, charged for various City activities. One of those factors is the economy.

Amounts available for appropriation in the operating budget are approximately \$5 million, a 14% decrease from the amended fiscal year 2014 budget. Other financing sources are budgeted to be approximately \$1.6 million. The reverse osmosis water treatment plant improvements are expected to be completed in fiscal year 2015.

If the budget is realized, the City's budgeted cash balance is expected to decrease approximately \$197,000 by the close of fiscal year 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact Marissa Lockwood, City Clerk, at 614 Dr. Van Zee Rd., PO Box 396, Oakland, Iowa 51560.

BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 423,913	\$ 63,572	\$ 61,233	\$ -0-
Public works	268,272	4,074	152,477	-0-
Cultures and recreation	231,858	50,185	39,871	-0-
Community and economic development	-0-	-0-	-0-	-0-
General government	133,413	3,627	2,616	-0-
Debt service	267,240	-0-	-0-	-0-
Capital projects	946,031	-0-	-0-	100,000
Total governmental activities	2,270,727	121,458	256,197	100,000
Business type activities:				
Water	1,222,139	873,264	-0-	149,853
Sewer	20,407	64,065	-0-	-0-
Sanitation	153,363	161,475	-0-	-0-
Total business type activities	1,395,909	1,098,804	-0-	149,853
Total	\$ 3,666,636	\$ 1,220,262	\$ 256,197	\$ 249,853

Property taxes levied for:
 General purposes
 Tax increment financing
 Local option sales tax
 Unrestricted investment earnings
 Miscellaneous
 Note proceeds
 Sale of assets
 Transfers
 Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Streets

Urban renewal

Library

Capital projects

Water reserves

Unrestricted

Total cash basis net position

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Position					
Governmental Activities		Business Type Activities		Total	
\$	(299,108)	\$	-0-	\$	(299,108)
	(111,721)		-0-		(111,721)
	(141,802)		-0-		(141,802)
	-0-		-0-		-0-
	(127,170)		-0-		(127,170)
	(267,240)		-0-		(267,240)
	(846,031)		-0-		(846,031)
	(1,793,072)		-0-		(1,793,072)
	-0-		(199,022)		(199,022)
	-0-		43,658		43,658
	-0-		8,112		8,112
	-0-		(147,252)		(147,252)
	(1,793,072)		(147,252)		(1,940,324)
	424,406		-0-		424,406
	18,871		-0-		18,871
	185,707		-0-		185,707
	1,518		-0-		1,518
	34,203		11,500		45,703
	309,483		355,399		664,882
	21,574		-0-		21,574
	12,907		(12,907)		-0-
	1,008,669		353,992		1,362,661
	(784,403)		206,740		(577,663)
	808,512		508,183		1,316,695
\$	<u>24,109</u>	\$	<u>714,923</u>	\$	<u>739,032</u>
\$	158,361	\$	-0-	\$	158,361
	34,947		-0-		34,947
	270,568		-0-		270,568
	2,140		-0-		2,140
	-0-		48,708		48,708
	(441,907)		666,215		224,308
\$	<u>24,109</u>	\$	<u>714,923</u>	\$	<u>739,032</u>

See notes to financial statements.

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	General	Special Revenue Road Use Tax	Debt Service
Receipts:			
Property tax	\$ 424,406	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	-0-
Other city tax	-0-	-0-	-0-
Licenses and permits	4,831	-0-	-0-
Use of money and property	16,193	-0-	-0-
Intergovernmental	86,411	152,477	-0-
Charges for services	95,857	1,170	-0-
Miscellaneous	19,227	6,741	-0-
Total receipts	<u>646,925</u>	<u>160,388</u>	<u>-0-</u>
Disbursements:			
Operating:			
Public safety	423,913	-0-	-0-
Public works	-0-	268,272	-0-
Culture and recreation	231,858	-0-	-0-
Community and economic development	-0-	-0-	-0-
General government	133,413	-0-	-0-
Debt service	-0-	-0-	267,240
Capital projects	-0-	-0-	-0-
Total disbursements	<u>789,184</u>	<u>268,272</u>	<u>267,240</u>
Excess (deficiency) of receipts over (under) disbursements	(142,259)	(107,884)	(267,240)
Other financing sources (uses):			
Sale of assets	-0-	-0-	-0-
Loan proceeds	-0-	-0-	-0-
Operating transfers in	92,854	92,853	267,240
Operating transfers out	(254,333)	-0-	-0-
Total other financing sources (uses)	<u>(161,479)</u>	<u>92,853</u>	<u>267,240</u>
Change in cash balances	(303,738)	(15,031)	-0-
Cash balances, beginning of year	<u>846,801</u>	<u>173,392</u>	<u>-0-</u>
Cash balances, end of year	\$ <u>543,063</u>	\$ <u>158,361</u>	\$ <u>-0-</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -0-	\$ 158,361	\$ -0-
Urban renewal	-0-	-0-	-0-
Assigned for library	270,568	-0-	-0-
Assigned for capital project	-0-	-0-	-0-
Unassigned	272,495	-0-	-0-
Total cash basis fund balances	\$ <u>543,063</u>	\$ <u>158,361</u>	\$ <u>-0-</u>

See notes to financial statements.

EXHIBIT B

Capital Projects City Service Building		Other Non-major Governmental Funds	Total
\$	-0-	\$ -0-	\$ 424,406
	-0-	18,871	18,871
	-0-	185,707	185,707
	-0-	-0-	4,831
	102	-0-	16,295
	-0-	-0-	238,888
	-0-	-0-	97,027
	130,367	-0-	156,335
	<u>130,469</u>	<u>204,578</u>	<u>1,142,360</u>
	-0-	-0-	423,913
	-0-	-0-	268,272
	-0-	-0-	231,858
	-0-	-0-	-0-
	-0-	-0-	133,413
	-0-	-0-	267,240
	941,956	4,075	946,031
	<u>941,956</u>	<u>4,075</u>	<u>2,270,727</u>
	(811,487)	200,503	(1,128,367)
	21,574	-0-	21,574
	309,483	-0-	309,483
	-0-	-0-	452,947
	-0-	(185,707)	(440,040)
	<u>331,057</u>	<u>(185,707)</u>	<u>343,964</u>
	(480,430)	14,796	(784,403)
	<u>(229,897)</u>	<u>18,216</u>	<u>808,512</u>
\$	<u>(710,327)</u>	\$ <u>33,012</u>	\$ <u>24,109</u>
\$	-0-	\$ -0-	\$ 158,361
	-0-	34,947	34,947
	-0-	-0-	270,568
	-0-	2,140	2,140
	<u>(710,327)</u>	<u>(4,075)</u>	<u>(441,907)</u>
\$	<u>(710,327)</u>	\$ <u>33,012</u>	\$ <u>24,109</u>

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Water	Sewer
Operating receipts:		
Charges for services	\$ 771,963	\$ 64,065
Miscellaneous	-0-	-0-
Total receipts	<u>771,963</u>	<u>64,065</u>
Operating disbursements:		
Business type activities	<u>568,692</u>	<u>20,407</u>
Total disbursements	<u>568,692</u>	<u>20,407</u>
Operating income	203,271	43,658
Non-operating receipts (disbursements):		
Farm receipts	97,894	-0-
Farm disbursements	(48,414)	-0-
Grants	149,853	-0-
Meter deposits	3,407	-0-
Meter deposit refunds	(1,507)	-0-
Miscellaneous	11,500	-0-
Capital outlay	<u>(603,526)</u>	<u>-0-</u>
Total non-operating receipts (disbursements)	<u>(390,793)</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	(187,522)	43,658
Other financing sources (uses):		
Loan proceeds	355,399	-0-
Operating transfer out	<u>(12,907)</u>	<u>-0-</u>
Net financing sources (uses)	<u>342,492</u>	<u>-0-</u>
Change in cash balances	154,970	43,658
Cash balances beginning of year	<u>480,763</u>	<u>(10,563)</u>
Cash balances end of year	\$ <u>635,733</u>	\$ <u>33,095</u>
Cash Basis Fund Balances		
Restricted:		
Repairs and replacement	\$ 41,640	\$ -0-
Debt service	7,068	-0-
Unrestricted	<u>587,025</u>	<u>33,095</u>
Total cash basis fund balances	\$ <u>635,733</u>	\$ <u>33,095</u>

See notes to financial statements.

EXHIBIT C

<u>Sanitation</u>		<u>Total</u>	
\$	161,475	\$	997,503
	<u>-0-</u>		<u>-0-</u>
	161,475		997,503
	 153,363		 742,462
	<u>153,363</u>		<u>742,462</u>
	 8,112		 255,041
	 -0-		 97,894
	 -0-		 (48,414)
	 -0-		 149,853
	 -0-		 3,407
	 -0-		 (1,507)
	 -0-		 11,500
	 -0-		 (603,526)
	<u>-0-</u>		<u>(390,793)</u>
	 8,112		 (135,752)
	 -0-		 355,399
	 -0-		 (12,907)
	<u>-0-</u>		<u>342,492</u>
	 8,112		 206,740
	 37,983		 508,183
	<u>37,983</u>		<u>508,183</u>
\$	<u>46,095</u>	\$	<u>714,923</u>
\$	-0-	\$	41,640
	<u>-0-</u>		<u>7,068</u>
	46,095		666,215
\$	<u>46,095</u>	\$	<u>714,923</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The City of Oakland is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oakland has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City.

Blended Component Unit

The Eckels Memorial Library is legally separate from the City but financially accountable to the City. The library is governed by a board approved by the City Council and its operating budget is subject to approval by the City Council. The library is presented as a blended component unit of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Association of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute and Chamber of Commerce.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Position (formerly referred to as net assets) reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

The Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories / components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provision or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue, the Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's long-term debt.

The Capital Projects Fund is used to account for the payment of construction projects such as the Community Service Center.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation service.

The City also reports the following additional proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grant and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceed amounts budgeted in the general government, debt service and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in bank at June 30, 2014, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name and its component unit, totals \$739,032 as of June 30, 2014.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(3) Notes Payable

Annual debt service requirements to maturity for the City's general obligation capital loan notes and water revenue notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Water Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 168,000	\$ 96,078	\$ 66,000	\$ 23,496	\$ 234,000	\$ 119,574
2016	174,000	92,597	67,000	26,985	241,000	119,582
2017	179,000	88,755	69,000	25,813	248,000	114,568
2018	179,000	84,780	70,000	24,605	249,000	109,385
2019	189,000	80,805	72,000	23,380	261,000	104,185
2020	195,000	76,205	73,000	22,120	268,000	98,325
2021	145,000	71,443	75,000	20,842	220,000	92,285
2022	150,000	67,605	76,000	19,530	226,000	87,135
2023	156,000	63,770	78,000	18,200	234,000	81,970
2024	161,000	59,778	79,000	16,835	240,000	76,613
2025	161,000	55,230	81,000	15,453	242,000	70,683
2026	172,000	50,683	82,000	14,035	254,000	64,718
2027	177,000	45,582	84,000	12,600	261,000	58,182
2028	182,000	40,103	86,000	11,130	268,000	51,233
2029	175,000	34,387	87,000	9,625	262,000	44,012
2030	180,000	28,545	89,000	8,103	269,000	36,648
2031	185,000	22,535	91,000	6,545	276,000	29,080
2032	185,000	13,432	93,000	4,952	278,000	18,384
2033	195,000	4,387	94,000	3,325	289,000	7,712
2034	-0-	-0-	96,000	1,680	96,000	1,680
Total	\$ 3,308,000	\$ 1,076,700	\$ 1,608,000	\$ 309,254	\$ 4,916,000	\$ 1,385,954

Drinking Water Program Revolving Loan

On September 24, 2008, the City financed the Lime Sludge Lagoon Project in part through the Iowa Finance Authority. The \$187,000 loan bears interest at 3.0%, requires semi-annual principal and interest payments, and matures June 1, 2028.

Dual Purpose Capital Loan Notes

On March 26, 2013, the City issued \$500,000 general obligation capital loan notes to finance the purchase of a pumper/tanker for the fire department and to finance Phase II construction of the City Services Building. The \$500,000 notes bear interest at 0.65% to 3.15%, require semi-annual principal and interest payments, and mature on June 1, 2032. Notes maturing after June 1, 2019 may be called for redemption by the City and paid before maturity.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(3) Notes Payable (Continued)

Community Service Building Capital Loan Notes

On April 26, 2012, the City issued \$2,500,000 general obligation capital loan notes to finance the construction of the City Service Building. The notes bear interest at 2.65% to 3.35%, require semi-annual interest and annual principal payments, and mature on June 1, 2031. Interest payments began on June 1, 2013 and interest with principal payments begin June 1, 2014. Notes maturing after June 1, 2019 may be called for redemption by the City and paid before maturity.

Community Service Building Capital Loan Notes

On August 12, 2013, the City issued \$325,000 general obligation capital loan notes to finance the completion of the City Services Building. The notes bear interest at 4.5%, require semi-annual interest payments through 2031, semi-annual principal and interest payments 2032 and 2033, and mature on June 1, 2033.

Water Revenue Capital Loan Notes

On June 16, 2014, the City issued \$1,608,000 water revenue capital loan notes to finance reverse osmosis water treatment plant improvements. The notes bear interest at 1.75%, require semi-annual interest and annual principal payments, and mature on June 1, 2034. The notes are payable solely from the water customer net receipts and require monthly deposits into a sinking fund for upcoming principal and interest payments. For the year ended June 30, 2014, \$413,600 proceeds of the notes were received.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$29,233, \$24,099 and \$19,708, respectively, equal to the required contributions for each year.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides a medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the City and plan members are \$445 for single coverage and \$1,113 for family coverage. For the year ended June 30, 2014, the City contributed \$48,158 and the plan members eligible for benefits contributed \$0-.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid a maximum of \$2,000 of accumulated sick leave. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2014, primarily relating to the Water Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2014</u>
Vacation	\$ 23,554
Sick leave	69,134
	<u>\$ 92,688</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(7) Property Taxes

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City as collected monthly.

(8) Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2014.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014, is as follows:

Transfer to	Transfer from	Amount
General fund	Special Revenue - Local Option	\$ 92,854
Special Revenue - Road Use	Special Revenue - Local Option	92,853
Debt Service	General Fund	254,333
Debt Service	Proprietary - Water	12,907
Total		<u>\$ 452,947</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(10) Risk Management

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(10) Risk Management (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2014 was \$49,601.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage of \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(10) Risk Management (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workers' compensation insurance purchased from the Iowa Municipalities Workers' Compensation Association, IMWCA. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Urban Renewal

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal area includes the Water Expansion Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Notes were issued to finance the Street Project. On July 11, 2005, the City approved a program within this urban renewal plan for residential and commercial development in cooperation with the Oakland Industrial Foundation. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan was to encourage commercial development in this urban renewal area. The project included the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Notes were issued as a result of this project. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

(11) Urban Renewal (Continued)

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involved providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

On February 13, 2012, the City established the 2012 Urban Renewal District in the annexed area northwest of the intersection of Highways 6 and 59. The area includes the Oakland Foods industrial complex which comprises over 43% of the area of the district. The specific goals of the district include constructing a reverse osmosis water treatment plant thereby increasing the City's supply of treated potable water to Oakland Foods and constructing a lift station and collection system connections to the City's wastewater treatment system. On June 14, 2014, the City issued \$1,608,000 Water Revenue Capital Loan Notes to finance the projects.

(12) Library Construction and Contingency

On April 7, 1997, the City entered into a gift agreement for an addition to the Eckles Memorial Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

(13) Deficit Balances

The Capital Projects Fund - City Service Building has a deficit balance of \$710,327 at June 30, 2014. The project is ongoing and will be eliminated by transfers from other funds.

The Capital Projects Fund - Schueman Park has a deficit balance of \$4,075 at June 30, 2014. The project is ongoing and will be eliminated by transfers from other funds.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(14) Commitments

Garbage Collection Service Agreement

The City signed an agreement on September 1, 2012 with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from September 1, 2012 to August 31, 2022. The contracted amount per residential unit for up to six 32-gallon containers per week is \$7.50 for the first five years and \$8.00 thereafter. The contracted amount for commercial, industrial and institutional premises with dumpsters is \$5.00 per yard per week for five years and \$1.75 per unit per month for recyclables for five years.

Administrative Services Agreement

On April 1, 2012, the City entered in to an agreement with TRISTAR Benefits Administrators for the purpose of establishing terms for a third party administrator of the City of Oakland's partially self-funded benefit plan. The annual administration fee is \$850. The fees are subject to change by TRISTAR Benefits Administrators on April 1, 2013, and each year thereafter on the same date.

MidAmerican Energy Company Ordinance

On December 12, 2004, the city passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire, construct, erect, maintain and operate a natural gas system in the City of Oakland and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty-five years.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2014. The contract is payable in four quarterly installments of \$6,681.

(15) Grants

Grants - Library

For the year ended June 30, 2014, the Eckles Memorial Library received a \$2,500 grant from the Iowa West Foundation.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(15) Grants (Continued)

Iowa West Foundation Grant

In October 2012, the City of Oakland was awarded a \$200,000 grant from the Iowa West Foundation for Phase II of the Oakland City Services Building project. Per terms of the grant agreement, the City is required to match-fund the grant at a ratio of 1:1 by the end of the grant period. Grant funds of \$100,000 were received for the year. The contract expired September 30, 2013.

Community Development Block Grant

In May 2012, the City of Oakland was awarded a not to exceed \$500,000 Community Development Block Grant (CDBG) from the Iowa Economic Development Authority for construction of a 300 gallon per minute reverse osmosis water treatment plant. For the years ended June 30, 2014 and 2013, the City received grant funds of \$68,268 and \$6,632, respectively. Due to permit delays on the part of the Department of Natural Resources, funding was delayed past the grant expiration date of November 30, 2013.

Energy Efficiency Conservation Block Grant

In March 2013, the Iowa Economic Development Authority selected the City of Oakland to receive an Energy Efficiency Conservation Block Grant in the amount of \$36,500 to install variable drives, motors, and associated equipment at the water treatment plant. For the year ended June 30, 2014, the City received the full amount of the grant.

Community Improvements To Increase Economic Stability (CITIES) Grant

In November 2012, the Pottawattamie County Board of Supervisors awarded the City of Oakland a \$500,000 CITIES grant to complete a 300 gallon per minute reverse osmosis water treatment plant. The grant requires a 1:1 match from whatever source. For the year ended June 30, 2014, the City received grant funds of \$45,085. The grant expired at June 30, 2014.

(16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

OTHER INFORMATION

CITY OF OAKLAND
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

OTHER INFORMATION

YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 424,406	\$ -0-
Tax increment financing	18,871	-0-
Other city tax	185,707	-0-
Licenses and permits	4,831	-0-
Use of money and permits	16,295	-0-
Intergovernmental	238,888	-0-
Charges for services	97,027	1,098,804
Miscellaneous	156,335	161,353
Total receipts	<u>1,142,360</u>	<u>1,260,157</u>
Disbursements:		
Public safety	423,913	-0-
Public works	268,272	-0-
Health and social services	-0-	-0-
Culture and recreation	231,858	-0-
Community and economic development	-0-	-0-
General government	133,413	-0-
Debt service	267,240	-0-
Capital projects	946,031	-0-
Business type	-0-	1,395,909
Total disbursements	<u>2,270,727</u>	<u>1,395,909</u>
Excess (deficiency) of receipts over (under) disbursements	(1,128,367)	(135,752)
Other financing sources, net	<u>343,964</u>	<u>342,492</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(784,403)	206,740
Balances beginning of year	<u>808,512</u>	<u>508,183</u>
Balances end of year	\$ <u>24,109</u>	\$ <u>714,923</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
\$ 424,406	\$ 416,082	\$ 416,082	\$ 8,324
18,871	18,936	18,936	(65)
185,707	177,974	177,974	7,733
4,831	4,525	4,525	306
16,295	5,600	4,100	12,195
238,888	1,231,500	753,551	(514,663)
1,195,831	1,289,976	1,311,956	(116,125)
317,688	25,000	72,544	245,144
<u>2,402,517</u>	<u>3,169,593</u>	<u>2,759,668</u>	<u>(357,151)</u>
423,913	230,074	440,539	16,626
268,272	284,500	307,550	39,278
-0-	-0-	-0-	-0-
231,858	221,768	243,745	11,887
-0-	6,000	-0-	-0-
133,413	132,385	130,556	(2,857)
267,240	296,728	246,728	(20,512)
946,031	820,000	943,957	(2,074)
1,395,909	3,815,150	1,885,937	490,028
<u>3,666,636</u>	<u>5,806,605</u>	<u>4,199,012</u>	<u>532,376</u>
(1,264,119)	(2,637,012)	(1,439,344)	175,225
<u>686,456</u>	<u>2,325,000</u>	<u>2,309,483</u>	<u>(1,623,027)</u>
(577,663)	(312,012)	870,139	(1,447,802)
<u>1,316,695</u>	<u>1,316,695</u>	<u>1,316,695</u>	<u>-0-</u>
\$ <u>739,032</u>	\$ <u>1,004,683</u>	\$ <u>2,186,834</u>	\$ <u>(1,447,802)</u>

CITY OF OAKLAND

**NOTES TO OTHER INFORMATION –
BUDGETARY REPORTING**

JUNE 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted receipts by \$409,925 and disbursements by \$1,607,593. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the general government, debt service and capital projects functions.

SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>	
	<u>Local Option</u>	<u>Urban Renewal</u>
	<u>Tax</u>	<u>TIF</u>
Receipts:		
Tax increment financing	\$ -0-	\$ 18,871
Other city taxes	185,707	-0-
Use of money and property	-0-	-0-
Miscellaneous	-0-	-0-
Total receipts	<u>185,707</u>	<u>18,871</u>
Disbursements:		
Operations:		
Community and economic development	-0-	-0-
Capital projects	-0-	-0-
Total disbursements	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	185,707	18,871
Other financing sources (uses):		
Operating transfers in	-0-	-0-
Operating transfers out	<u>(185,707)</u>	<u>-0-</u>
Net financing sources (uses)	<u>(185,707)</u>	<u>-0-</u>
Change in cash balances	-0-	18,871
Cash balances beginning of year	<u>-0-</u>	<u>16,076</u>
Cash balances end year	\$ <u>-0-</u>	\$ <u>34,947</u>
Cash Basis Fund Balances		
Restricted for other purposes	\$ -0-	\$ 34,947
Assigned	-0-	-0-
Unassigned	-0-	-0-
Total cash basis fund balances	\$ <u>-0-</u>	\$ <u>34,947</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 1

Capital Projects		
Schueman Park	Aquatic Center	Total
\$ -0-	\$ -0-	\$ 18,871
-0-	-0-	185,707
-0-	-0-	-0-
-0-	-0-	-0-
-0-	-0-	204,578
-0-	-0-	-0-
4,075	-0-	4,075
4,075	-0-	4,075
(4,075)	-0-	200,503
-0-	-0-	-0-
-0-	-0-	(185,707)
-0-	-0-	(185,707)
(4,075)	-0-	14,796
-0-	2,140	18,216
\$ (4,075)	\$ 2,140	\$ 33,012
\$ -0-	\$ -0-	\$ 34,947
-0-	2,140	2,140
(4,075)	-0-	(4,075)
\$ (4,075)	\$ 2,140	\$ 33,012

CITY OF OAKLAND
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital notes:			
Drinking Water Program Revolving Loan	Sep 24, 2008	3.0%	\$ 187,000
Planning & Design Revolving Loan	Dec 29, 2010	0%	\$ 400,000
City Service Building Capital Loan Notes	Apr 26, 2012	2.65% - 3.35%	\$ 2,500,000
Dual Purpose Capital Loan Notes	Mar 26, 2013	0.65% - 3.15%	\$ 500,000
City Service Building Capital Loan Notes	Aug 12, 2013	4.50%	\$ 325,000
Revenue notes:			
Water Revenue Capital Loan Notes	Jun 16, 2014	1.75%	\$ 1,608,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 151,000	\$ -0-	\$ 8,000	\$ 143,000	\$ 4,530	\$ 358
58,201	-0-	58,201	-0-	-0-	-0-
2,500,000	-0-	110,000	2,390,000	71,928	5,751
500,000	-0-	50,000	450,000	10,005	679
<u>-0-</u>	<u>325,000</u>	<u>-0-</u>	<u>325,000</u>	<u>11,050</u>	<u>1,219</u>
\$ <u>3,209,201</u>	\$ <u>325,000</u>	\$ <u>226,201</u>	\$ <u>3,308,000</u>	\$ <u>97,513</u>	\$ <u>8,007</u>
\$ <u>-0-</u>	\$ <u>413,600</u>	\$ <u>-0-</u>	\$ <u>413,600</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

CITY OF OAKLAND

DEBT MATURITIES

JUNE 30, 2014

General Obligation Notes

Year Ended June 30,	<u>Dual Purpose Notes</u> <u>Issued March 26, 2013</u>		<u>Community Service Building Notes</u> <u>Issued August 12, 2013</u>	
	Interest Rates	Amount	Interest Rates	Amount
2015	0.65% - 3.15%	\$ 50,000	4.50%	\$ -0-
2016	1.05% - 3.15%	50,000	4.50%	-0-
2017	1.05% - 3.15%	50,000	4.50%	-0-
2018	1.05% - 3.15%	50,000	4.50%	-0-
2019	1.85% - 3.15%	55,000	4.50%	-0-
2020	1.85% - 3.15%	55,000	4.50%	-0-
2021	1.85% - 3.15%	5,000	4.50%	-0-
2022	1.85% - 3.15%	5,000	4.50%	-0-
2023	1.85% - 3.15%	5,000	4.50%	-0-
2024	3.15%	5,000	4.50%	-0-
2025	3.15%	5,000	4.50%	-0-
2026	3.15%	10,000	4.50%	-0-
2027	3.15%	10,000	4.50%	-0-
2028	3.15%	10,000	4.50%	-0-
2029	3.15%	10,000	4.50%	-0-
2030	3.15%	10,000	4.50%	-0-
2031	3.15%	10,000	4.50%	-0-
2032	3.15%	55,000	4.50%	130,000
2033	--	-0-	4.50%	195,000
Total		\$ <u>450,000</u>		\$ <u>325,000</u>

SCHEDULE 3
(Continued)

<u>Community Service Building Notes</u> <u>Issued April 26, 2012</u>			<u>Lime Sludge Lagoon Loan</u> <u>Issued September 24, 2008</u>		
<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2015	2.65% - 3.35%	\$ 110,000	3.00%	\$ 8,000	\$ 168,000
2016	2.65% - 3.35%	115,000	3.00%	9,000	174,000
2017	2.65% - 3.35%	120,000	3.00%	9,000	179,000
2018	2.65% - 3.35%	120,000	3.00%	9,000	179,000
2019	2.65% - 3.35%	125,000	3.00%	9,000	189,000
2020	2.65% - 3.35%	130,000	3.00%	10,000	195,000
2021	2.65% - 3.35%	130,000	3.00%	10,000	145,000
2022	2.55% - 3.35%	135,000	3.00%	10,000	150,000
2023	2.55% - 3.35%	140,000	3.00%	11,000	156,000
2024	2.55% - 3.35%	145,000	3.00%	11,000	161,000
2025	2.80% - 3.35%	145,000	3.00%	11,000	161,000
2026	2.95% - 3.35%	150,000	3.00%	12,000	172,000
2027	3.10% - 3.35%	155,000	3.00%	12,000	177,000
2028	3.15% - 3.35%	160,000	3.00%	12,000	182,000
2029	3.15% - 3.35%	165,000	--	-0-	175,000
2030	3.15% - 3.35%	170,000	--	-0-	180,000
2031	3.35%	175,000	--	-0-	185,000
2032	--	-0-	--	-0-	185,000
2033	--	-0-	--	-0-	195,000
Total		\$ <u>2,390,000</u>		\$ <u>143,000</u>	\$ <u>3,308,000</u>

See Accompanying Independent Auditor's Report.

Revenue Notes

Water Revenue Capital Loan Notes
Issued June 14, 2014

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2015	1.75%	\$ 66,000	\$ 66,000
2016	1.75%	67,000	67,000
2017	1.75%	69,000	69,000
2018	1.75%	70,000	70,000
2019	1.75%	72,000	72,000
2020	1.75%	73,000	73,000
2021	1.75%	75,000	75,000
2022	1.75%	76,000	76,000
2023	1.75%	78,000	78,000
2024	1.75%	79,000	79,000
2025	1.75%	81,000	81,000
2026	1.75%	82,000	82,000
2027	1.75%	84,000	84,000
2028	1.75%	86,000	86,000
2029	1.75%	87,000	87,000
2030	1.75%	89,000	89,000
2031	1.75%	91,000	91,000
2032	1.75%	93,000	93,000
2033	1.75%	94,000	94,000
2034	1.75%	96,000	96,000
Total		\$ <u>1,608,000</u>	\$ <u>1,608,000</u>

See Accompanying Independent Auditor's Report.

CITY OF OAKLAND

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS**

FOR THE LAST TEN YEARS

	<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>
Receipts:							
Property taxes	\$ 424,406	\$	302,708	\$	300,460	\$	296,224
Tax increment financing	18,871		11,166		31,990		18,622
Other city taxes	185,707		179,000		169,786		181,391
License and permits	4,831		6,667		6,020		5,892
Use of money and property	16,295		10,613		11,882		37,480
Intergovernmental	238,888		235,664		249,635		220,574
Charges for service	97,027		69,624		92,918		89,083
Miscellaneous	<u>156,335</u>		<u>130,991</u>		<u>128,087</u>		<u>147,192</u>
Total	\$ <u>1,142,360</u>	\$	\$ <u>946,433</u>	\$	\$ <u>990,778</u>	\$	\$ <u>996,458</u>
Disbursements:							
Operating:							
Public safety	\$ 423,913	\$	304,840	\$	157,180	\$	100,371
Public works	268,272		165,878		287,246		190,677
Culture and recreation	231,858		160,084		204,215		191,150
Comm and economic dev	-0-		6,162		6,707		352,712
General government	133,413		129,128		167,135		118,847
Debt service	267,240		126,721		99,242		111,193
Capital projects	<u>946,031</u>		<u>2,396,665</u>		<u>739,268</u>		<u>274,932</u>
Total	\$ <u>2,270,727</u>	\$	\$ <u>3,289,478</u>	\$	\$ <u>1,660,993</u>	\$	\$ <u>1,339,882</u>

See accompanying independent auditor's report.

SCHEDULE 4

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	275,271	\$ 206,896	\$ 203,171	\$ 198,773	\$ 165,517	\$ 157,113
	27,316	218,833	203,412	208,720	143,618	150,589
	153,346	174,825	148,849	165,717	178,253	147,404
	4,953	6,353	5,801	6,302	6,808	4,473
	30,968	52,852	57,909	61,473	56,214	26,437
	395,809	342,146	192,842	564,584	165,354	157,314
	67,207	80,060	79,766	79,093	53,849	90,932
	<u>90,874</u>	<u>211,952</u>	<u>104,406</u>	<u>93,853</u>	<u>146,678</u>	<u>222,388</u>
\$	<u>1,045,744</u>	\$ <u>1,293,917</u>	\$ <u>996,156</u>	\$ <u>1,378,515</u>	\$ <u>916,291</u>	\$ <u>956,650</u>
\$	153,822	\$ 170,153	\$ 219,763	\$ 155,821	\$ 83,211	\$ 224,351
	272,310	403,838	330,027	143,761	238,518	142,948
	195,613	132,345	137,908	175,994	236,698	141,399
	42,930	4,114	6,571	15,939	62,007	18,943
	242,537	85,324	141,302	98,789	111,683	107,620
	141,791	118,748	108,758	81,720	118,085	117,296
	<u>424,254</u>	<u>5,848</u>	<u>-0-</u>	<u>834,590</u>	<u>55,853</u>	<u>128,233</u>
\$	<u>1,473,257</u>	\$ <u>920,370</u>	\$ <u>944,329</u>	\$ <u>1,506,614</u>	\$ <u>906,055</u>	\$ <u>880,790</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT ASSOCIATES, CPA, P.C.

August 20, 2014

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARD

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To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated August 20, 2014. My report expressed unqualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Oakland's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Oakland's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Oakland's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control that I consider to be a material weakness and other deficiencies I consider to be significant deficiencies.

Continued . . .

August 20, 2014
Page Two

To the Honorable Mayor and
Members of the City Council:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Oakland's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 and I-C-14 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Continued . . .

August 20, 2014
Page Three

To the Honorable Mayor and
Members of the City Council

City of Oakland's Responses to Findings

The City of Oakland's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Oakland's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Oakland during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 Murphy & Associates, CPA, P.C.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

I-B-14 Financial Reporting

Comment - It was noted that interfund transfers were incorrectly recorded. Corrections were subsequently made and are reported correctly.

Recommendation - Transfers should be recorded as transfers in and transfers out affecting the operating statement as opposed to an equity to equity transfer affecting fund balances.

Response - Transfers will be recorded correctly in future.

Conclusion - Response accepted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements (Continued):

I-C-14 Unsubstantiated Credit Card Charges

Comment - An examination of credit card statements revealed charges that were not supported by documentation. Moreover, the City has no written credit card policy.

Recommendation - Documentation should always support all charges on credit cards, even a hand written note at minimum. In addition, the City should adopt a written credit card policy.

Response - We will revise our procedures accordingly and consider adopting a credit card policy.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government, debt service and capital projects functions. In addition, disbursements exceeded amounts budgeted in the public safety and capital projects functions before the budget was amended on May 12, 2014. Chapter 384.20 of the Code of Iowa states in part that "public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 684.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be monitored and amended timely in the future, if applicable.

Conclusion - Response accepted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting: Continued

- II-B-14 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-14 Business Transactions - There were no business transactions between the City and City officials.
- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- II-G-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-14 Revenue Bonds and Notes - No instance of non-compliance with the revenue bond and note resolutions were noted.
- II-I-14 Financial Condition - Two Capital Projects Funds had deficit balances of \$710,327 and \$4,075 at June 30, 2014.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - One deficit was due to construction costs on the City Services Building which is complete as of June 30, 2014. Contractor retainage remains to be paid in fiscal year 2015, after which the deficit will be eliminated by transfers. The second deficit was the result of planning and design costs associated with a park project which may or may not materialize.

Conclusion - Response accepted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting: Continued

II-J-14 Tax Increment Financing - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Urban Renewal Area TIF Indebtedness was certified to the County Auditor before December 1 and no exceptions were noted.

II-K-14 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City's disbursements and ending cash balance of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's general ledger for the year ended June 30, 2013.

Recommendation - The City should ensure that the cash balances and disbursements reported on the Levy Authority Summary agree with the City's records.

Response - These items will be corrected on next year's report.

Conclusion - Response accepted.

CITY OF OAKLAND
OAKLAND, IOWA 51560

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Oakland, Iowa.

The City's receipts totaled \$3,088,973 for the year ended June 30, 2014, a twenty percent increase from the prior year. The receipts included \$424,406 from property tax, \$18,871 from tax incremental financing, \$1,220,262 from charges for services, \$256,197 from operating grants, contributions and restricted interest, \$249,853 from capital grants, contributions and restricted interest, \$185,707 from local option sales tax, \$1,518 from unrestricted investment earnings, \$21,574 from the sale of property, \$664,882 from note proceeds and \$45,703 in other general receipts.

Disbursements for the year totaled \$3,666,636, a twenty-eight percent decrease from the prior year, and included \$946,031 for capital projects, \$423,913 for public safety, and \$268,272 for public works. Also, disbursements for business-type activities totaled \$1,395,909.

The significant increase in receipts and decrease in disbursements is primarily due to when note proceeds were received and construction costs of the City Services Building were paid.

A copy of the audit report is available for review in the City Clerk's office, in the office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

